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I'ANCO

Annual Report 1968



A-1 STEEL AND IRON FOUNDRY (Vancouver) LTD.
and its wholly-owned subsidiaries

A-1 STEEL AND IRON FOUNDRY LTD.
AND BIRD FOUNDRY (Non-Ferrous Division)
Incorporated under the Laws of the Province of British Columbia
Vancouver, B.C.



A-1 STEEL AND IRON FOUNDRY (Vancouver) LTD.
and its wholly-owned subsidiaries

FINANCIAL REPORT 1968

CAPITAL

Authorized —	100,000 Class "A" Shares of No Par Value
	180,000 Class "B" Shares of No Par Value
Issued and Fully Paid —	76,000 Class "A" Shares
	162,000 Class "B" Shares

OFFICERS

Ernest Charles Warner, *Chairman of the Board*
John Pollock Stark, *President and Chief Executive Officer*
Charles Watters, *Vice-President and General Sales Manager*
Ian Alastair Shaw, *Secretary*
W. D. Miles Boyd, *Director and Sales Manager I'Anco Products*
Gordon A. Green, *Director*
Lovick P. Young, *Director and Foundry Manager*

BANKERS

Bank of Montreal
Vancouver, B.C.

AUDITORS

Price Waterhouse & Co.
Vancouver, B.C., *Chartered Accountants*

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company, Vancouver, B.C.

FISCAL AGENTS

Lansdowne Securities Ltd.

REPORT OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

It will be noted that our sales for the past fiscal year were \$2,629,523 compared with \$2,478,533 an increase of \$150,990 or 6.09%.

This, despite the fact that we were closed down for seven weeks by a strike of Pattern-Makers in Vancouver.

Our profit was, of course, adversely affected by loss of production and fixed costs during that period, and although only five men were involved in the strike, it meant that 175 were out of work in this plant, due to the actions of the Pattern-Makers' committee. The loss of wages to all those not directly involved was enormous and shows what results may come from a ludicrous and careless action.

It is a pleasure to report that we were able to maintain almost full capacity during the time we were operating, despite a tighter economy and adverse conditions in some areas of the country.

Prices of our products were maintained at level last year; because again, we were able to effect savings in costs, due to more efficient methods and newer machines.

However, wage contracts this year and last, now necessitate an adjustment of 5% upward in our prices — and it would have been more, if we did not have the efficiency of this plant, and the great cooperation from employees in all departments.

During the year we have maintained dividend payments on the same basis as last year and anticipate a satisfactory profit picture this coming year.

However, as this company is closely associated with the logging, pulp and paper, mining and shipbuilding industries, any reliable forecast must of necessity take into consideration the fact that we are greatly dependent on the state of the economy in those industries, not only in British Columbia but nationwide.

During the past year I have been negotiating with the owners of a company, which, if acquired, will be a great asset to our operation, and will broaden our markets considerably — until final agreement is reached, however, it would not be pertinent to give details.

Suffice it to say that everything possible will be done to bring the transaction to conclusion; satisfactory to the shareholders of A-1 Steel.

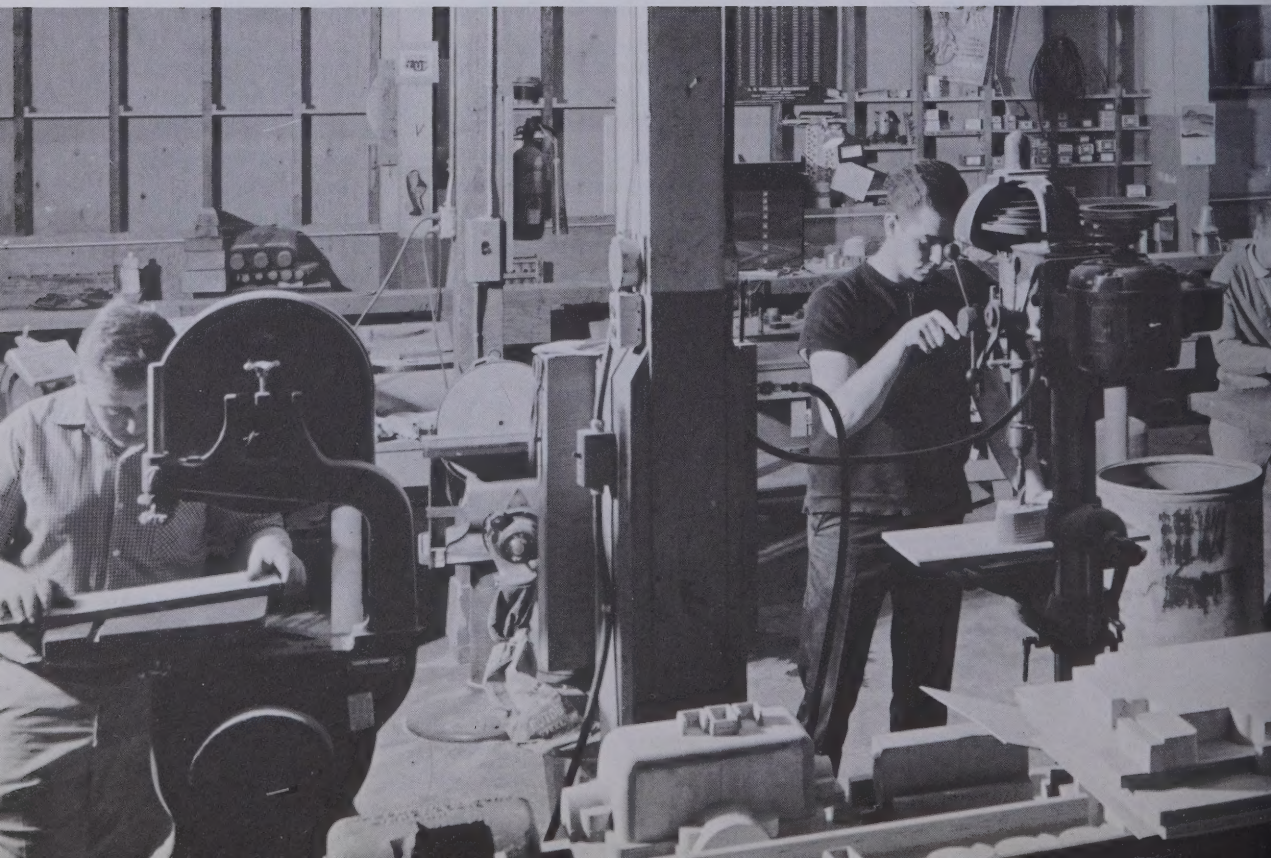
With a normal economy we may expect steady progress, and I extend my sincere thanks to all our employees who have cooperated, and extended their efforts to the full, because it is only with their great contributions to our production that we can continue to progress.

JOHN P. STARK,
President and Chief Executive Officer.



*Chemical testing is just a part of
quality control procedures carried
through all stages of manufacture
ensuring a better quality product*

*A-1 Steel's Pattern Shop is one of the
largest on the West Coast.*





A-1 STEEL AND IRON
and its wholly

CONSOLIDATED BALANCE
(with comparable bal

ASSETS

CURRENT ASSETS:	1968	1967
Cash.....	\$ 100	\$ 100
Accounts receivable, less allowance of \$11,000 for doubtful accounts (\$12,500 in 1967).....	406,739	451,439
Income taxes recoverable (Note 1).....	893	—
Inventories, at the lower of cost or market.....	499,495	458,405
Prepaid expenses and deposits.....	7,219	4,575
	<u>914,446</u>	<u>914,519</u>
SPECIAL REFUNDABLE TAX	5,566	6,936
 FIXED ASSETS, at cost:		
Plant buildings and equipment, and other depreciable assets.....	1,242,419	1,192,175
Less —		
Accumulated depreciation.....	353,440	251,837
	<u>888,979</u>	<u>940,338</u>
Land.....	83,853	83,853
	<u>972,832</u>	<u>1,024,191</u>
INCORPORATION AND PRELIMINARY EXPENSES, at cost.....	13,900	13,900
	<u>\$1,906,744</u>	<u>\$1,959,546</u>

APPROVED ON BEHALF OF THE BOARD:

JOHN P. STARK, *Director*

CHARLES WATTERS, *Director*

ORY (Vancouver) LTD.
subsidiaries

AS AT FEBRUARY 29 1968
(at February 28 1967)

LIABILITIES

CURRENT LIABILITIES:

	1968	1967
Bank loans and other indebtedness (in part secured).....	\$ 166,404	\$ 157,139
Accounts payable and accrued liabilities.....	280,086	174,993
Dividend payable.....	11,400	11,400
Current portion of long term indebtedness (Note 2).....	60,000	60,000
Income taxes payable.....	—	85,000
	<u>517,890</u>	<u>488,532</u>

LONG TERM INDEBTEDNESS (Note 2).....	<u>346,500</u>	<u>406,500</u>
	<u>864,390</u>	<u>895,032</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 3):

Authorized —

100,000 Class "A" shares of no par value (Redeemable
at the option of the company for \$12 per share)

180,000 Class "B" shares of no par value

Issued and fully paid —

76,000 Class "A" shares.....	692,000	692,000
162,000 Class "B" shares (1967 — 159,000 shares).....	119,500	106,750

811,500 798,750

RETAINED EARNINGS — per statement attached.....	<u>230,854</u>	<u>265,764</u>
	<u>1,042,354</u>	<u>1,064,514</u>
	<u>\$1,906,744</u>	<u>\$1,959,546</u>

AUDITORS' REPORT

To the Shareholders of

A-1 Steel and Iron Foundry (Vancouver) Ltd.:

We have examined the consolidated balance sheet of A-1 Steel and Iron Foundry (Vancouver) Ltd. as at February 29 1968 and the consolidated statements of earnings and retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at February 29 1968 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

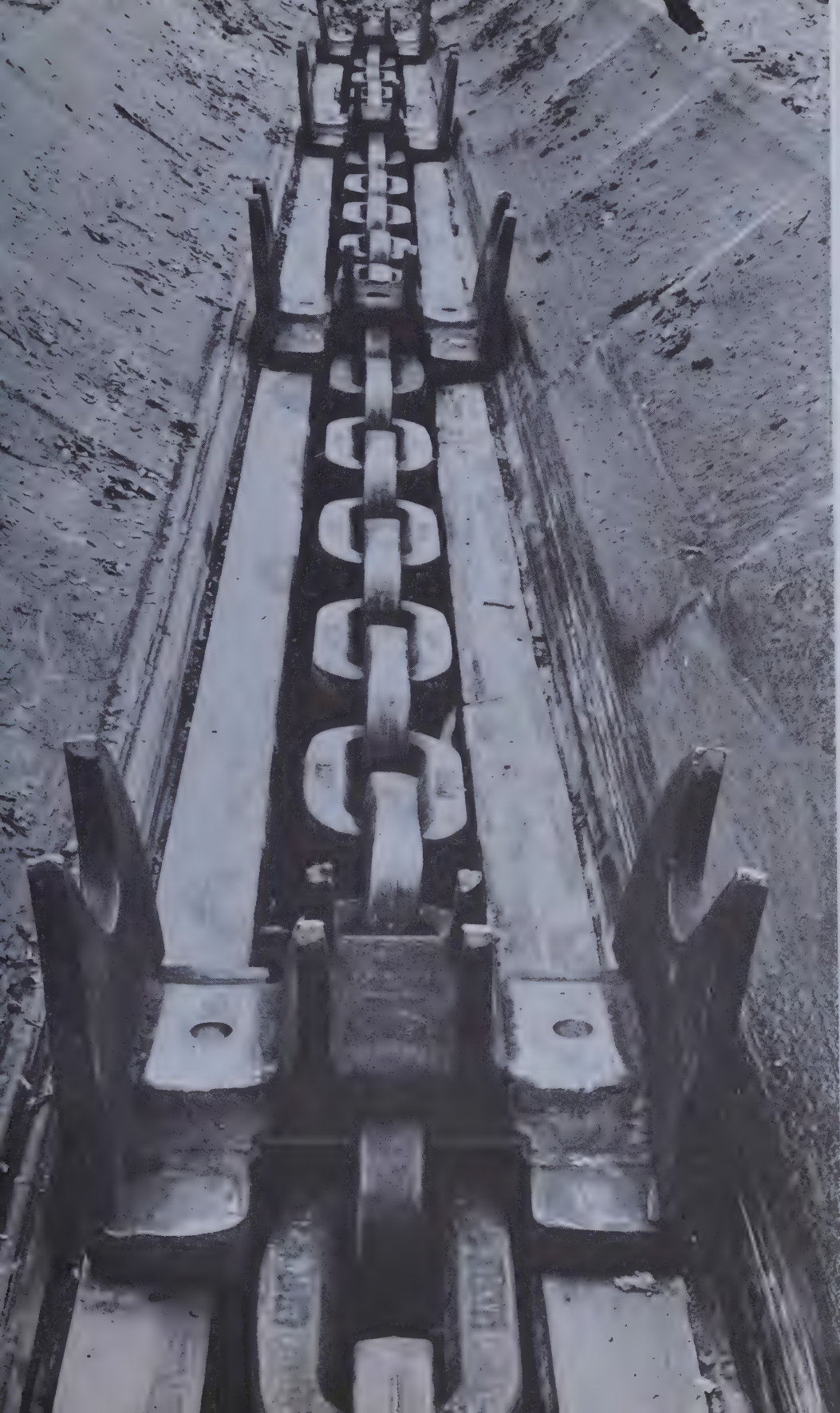
May 21 1968.
Vancouver, B.C.

PRICE WATERHOUSE & CO.,
Chartered Accountants.



A-1 Steel has a progressive sales department and the Company is well represented at major international trade fairs.

I'ANCO
PRODUCTS



*Some l'ANCO products
in use — a vital part of
the machinery in Canada's
all-important forest
industry.*



A-1 STEEL AND IRON FOUNDRY (Vancouver) LTD.
and its wholly-owned subsidiaries

**CONSOLIDATED STATEMENT OF EARNINGS
AND RETAINED EARNINGS
FOR THE YEAR ENDED FEBRUARY 29 1968**

(with a comparable statement for the preceding year)

	1968	1967
Sales.....	\$2,629,523	\$2,478,533
Cost of sales (Note 4).....	2,154,911	1,887,012
Gross profit.....	474,612	591,521
Selling and administrative expenses (Note 4).....	374,772	328,122
	99,840	263,399
Income taxes (Note 1).....	41,000	85,000
Net earnings for the year.....	58,840	178,399
Retained earnings — beginning of year.....	265,764	168,415
	324,604	346,814
<i>Deduct —</i>		
Dividends declared:		
Class "A" shares — 60¢ per share.....	45,600	43,200
Class "B" shares — 30¢ per share.....	48,150	37,850
	93,750	81,050
Retained earnings — end of year.....	\$ 230,854	\$ 265,764
 Included in cost of sales and selling and administrative expenses above are the following charges (credits):		
Depreciation.....	\$ 104,870	\$ 95,002
Interest on borrowed funds.....	36,865	40,706
Profit on disposal of fixed assets (net).....	(1,178)	—
	\$ 140,557	\$ 135,708



A-1 STEEL AND IRON FOUNDRY (Vancouver) LTD.
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**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF WORKING CAPITAL
FOR THE YEAR ENDED FEBRUARY 29 1968**
(with a comparable statement for the preceding year)

	1968	1967
Sources of working capital:		
Net earnings — per statement attached.....	\$ 58,840	\$ 178,399
Add —		
Depreciation — not involving an outlay of cash.....	104,870	95,002
	<u>163,710</u>	<u>273,401</u>
Working capital of subsidiary acquired during year.....	—	24,616
Proceeds from issue of shares in respect of stock options (Note 3(c)).....	12,750	12,750
Current portion of special refundable tax.....	2,162	—
	<u>178,622</u>	<u>310,767</u>
Applications of working capital:		
Acquisition of investment in subsidiary company.....	—	208,218
Less —		
Financed by issue of Class "A" and Class "B" shares.....	—	208,000
	<u>—</u>	<u>218</u>
Payment of, and current provision for, long term indebtedness.....	60,000	143,500
Purchase of fixed assets.....	53,511	102,536
Dividends declared.....	93,750	81,050
Special refundable tax.....	792	6,936
	<u>208,053</u>	<u>334,240</u>
Decrease in working capital.....	29,431	23,473
Working capital — beginning of year.....	425,987	449,460
Working capital — end of year.....	<u>\$ 396,556</u>	<u>\$ 425,987</u>



A-1 STEEL AND IRON FOUNDRY (Vancouver) LTD.
and its wholly-owned subsidiaries

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT FEBRUARY 29 1968**

Note 1:

Income taxes otherwise payable for the year ended February 29 1968 have been increased by \$4,522 by claiming depreciation for income tax purposes in a lesser amount than that recorded in the accounts. The accumulated reductions to date resulting from claiming depreciation for income tax purposes in excess of that recorded in the accounts (in previous years) amount to \$156,946.

Note 2:

The company's long-term indebtedness consists of the following:

	<i>Bank Loan</i>	<i>7% Debentures</i>	<i>Total</i>
Original borrowing, less in the case of the bank loan			
\$75,000 deposited in a cash collateral account	\$500,000	\$250,000	\$750,000
Less —			
Repayments to February 28 1967	183,500	100,000	283,500
Repayments during the year	60,000	—	60,000
	243,500	100,000	343,500
	256,500	150,000	406,500
Less —			
Payments due within twelve months	60,000	—	60,000
	\$196,500	\$150,000	\$346,500

The bank loan bears interest at 6% per annum adjusted to 6¾% at February 23 1968 and is secured by debenture, providing a mortgage on the fixed assets and a floating charge on all other assets of the companies. By arrangement with the bank, the loan is repayable by April 1 1970, and the bank has agreed to minimum repayments at the rate of \$5,000 per month for the present.

The 7% debentures were due and payable September 1 1965; however, the holders thereof have signed a postponement agreement in connection with the bank loan referred to above subordinating all their rights under these debentures to the bank.

Note 3:

(a) At the discretion of the directors, the company's Class "A" shareholders shall be entitled, in any one year, to non-cumulative, preferential cash dividends of 60¢ per share. Any further dividends declared by the directors shall be paid firstly to the Class "B" shareholders to the extent of 60¢ per share per annum, and thereafter in equal amounts per share to the Class "A" and Class "B" shareholders.

(b) Any further issues of Class "A" or Class "B" shares must be accompanied by a concurrent issue in like number of shares of the other class, except that Class "B" shares may be issued in exercise of stock option agreements without any Class "A" shares being issued.

(c) As at February 29 1968, options for 9,000 Class "B" shares were outstanding. These options, exercisable in equal annual numbers at \$4.25 per share to February 9 1971, were held by officers who are also directors of the company. Options for 3,000 Class "B" shares were exercised during the year ended February 29 1968 for a total cash consideration of \$12,750.

Note 4:

The total remuneration paid during the year to directors and senior officers aggregated \$104,604 as compared with \$96,045 in the previous year.

